

Information on the Value Added Dairy Initiative

Why is this initiative needed?

Wisconsin milk production is currently 10-15% below what Wisconsin milk processors need for their dairy product sales. Processors are obtaining milk from other regions to offset the insufficient milk production in Wisconsin, and some are even dis-investing in Wisconsin and relocating to the West. Others are converting to specialty cheese and specialty dairy products to obtain higher margins.

Wisconsin has both large and small processors who are attempting to adapt to the changing competitive environment but who are in need of expertise and technical assistance to better focus compete at the high end. Wisconsin dairy farms are modernizing but at a rate too slow to replace lost milk production. Some are adopting managed grazing as a means to lower costs, while others are integrating forward into cheese and other value-added products.

To retain its status as America's Dairyland, Wisconsin's challenge is to adopt innovative strategies and a comprehensive plan that will help its 15,488 dairy farmers and its 202 dairy processors reinvest in their operations, compete successfully, and build upon the state's strong market recognition and identity.

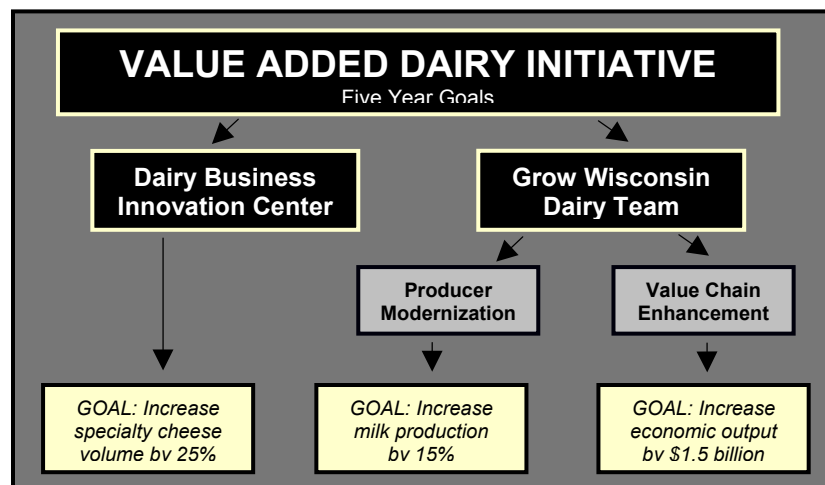
Why focus on Wisconsin?

Wisconsin has already begun to focus on retaining and growing its \$20.6 billion dairy industry -- and its producers and processors are leading the way. This initiative builds on this trend. For example:

- Over the past four years, 30 companies have completed or are modernizing and reinvesting \$200 million in their Wisconsin processing facilities, growing the state's production capacity by more than 50 million pounds.
- Nearly 900 dairy producers have pumped more than \$282 million into their operations since 1996 with the help of Wisconsin Department of Commerce Dairy 2020 Early Planning Grants. These producers have added 1.2 billion pounds of milk to Wisconsin's supply chain.

What is the Value Added Dairy Initiative?

To leverage Wisconsin's efforts, Senator Herb Kohl, D-WI, has secured a \$2 million federal investment to focus on modernization, growth of the specialty dairy products sector, and other opportunities to add value to the milk supply. This joint state-federal project is titled the Value Added Dairy Initiative. Two groups, 1) the Dairy Business Innovation Center, boasting a team roster of world-class dairy experts, and 2) the Grow Wisconsin Dairy Team, a group of Wisconsin interagency members, are leading the charge in the initiative.



What are the specific goals of each component in the Value Added Dairy Initiative?

A. Dairy Business Innovation Center – Focus on Specialty/Artisan Cheese

This non-profit organization is dedicated to growing specialty and artisan cheese and dairy businesses. Led by a stakeholder board, it is managed by world renowned experts including Dan Carter, retired founder of Dan Carter Inc., a consulting and sales company promoting small to medium sized cheese factories. Staff members work with clients and provide an array of technical services including:

- Product development
- Processing technology and equipment
- Business planning and finance
- Market development

Key 5-year goals (contingent on renewed federal funding) include:

- Increase specialty cheese volume by 25%
- Create 50 new value-added dairy enterprises to help build value in the dairy sector
- Increase by 10% the value-added sector of the dairy industry

B. Grow Wisconsin Dairy Team – Focus on Reinvestment in Farms & Supply Chain

This team is a joint effort of the Wisconsin Department of Agriculture, Trade and Consumer Protection (DATCP), the Wisconsin Department of Commerce (Commerce) and its Dairy 2020 program, and the University of Wisconsin Center for Dairy Profitability (CDP). The GWDT team will focus on producer modernization, value enhancement to the supply chain, and will act as a catalyst for reinvestment and innovation.

1. *Reinvesting in Farms - Producer Modernization*

Wisconsin's dairy industry has been slow to modernize but it is making progress. The objective of this plan component will be to accelerate the modernization process in ways that add value to dairy producers' milk while allowing producers to better position themselves for specialty and value added dairy market opportunities.

The GWDT leverages existing efforts and programs already offered by its partners, including several grant programs administered by Commerce's Dairy 2020 program and applied research programs coordinated by the CDP. The GWDT aims to accelerate change and reinvestment, resulting in business growth. This will be accomplished through a GWDT grant program that will fund local projects that give incentives to local leadership to encourage dairy development.

GWDT Producer Modernization grants will be available with a match required. Examples of grant projects might include:

- Supporting business plan implementation through technical assistance for financial management, engineering/site layout, labor management and risk management
- Mentor/technical consulting for graziers
- Aiding local economic development organizations to assist producers with modernization efforts

Key 5-year goals (contingent on renewed federal funding) of the producer modernization plan component include:

- Modernize 1,500 dairy farms and realize added value on those farms
- Increase total milk production by 15% in Wisconsin

2. *Reinvesting in Supply Chain – Value Chain Enhancement*

Alliances and collaboration between producers and processors in a managed supply chain are increasingly being used across agriculture to share risk and returns between producers and processors. The GWDT will focus on assisting plants and producers to work together to achieve the following goals:

- Streamlining milk procurement, processing & distribution
- Differentiating products based on product attributes and quality
- Accelerate change/reinvestment across supply chain
- Continually strive to search for ways to add value

Again, the GWDT will leverage its programs with existing economic development programs and will work to implement its initiatives via grants to plants and producers. GWDT Value Chain Enhancement grants will be available with a match required. Examples of grant projects might include:

- New product launch
- New market entry
- Supply chain streamlining

Key 5-year goals (contingent on renewed federal funding) of the value chain enhancement plan component include:

- Assist 15 collaborative processor-producer value chain initiatives
- Increase value added in dairy sector by 10%
- Increase dairy industry economic impact by \$1.5 billion

Conclusion

The Value Added Dairy Initiative addresses specific challenges facing Wisconsin's dairy industry. This initiative retains and grows farm businesses, dairy plants and creates good jobs for rural areas. Wisconsin's dairy farmers and processors already have the passion to reinvest in their operations and develop new, innovative products for the rest of the world to enjoy. This initiative helps producers and processors by providing assistance to compete successfully and build upon the state's strong market recognition and identity.

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